COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC., FOR A REVISION IN ITS PURCHASED GAS ADJUSTMENT PROCEDURES	)))))	CASE NO. 9260

O R D E R

On January 10, 1985, Columbia Gas of Kentucky, Inc., ("Columbia") filed with this Commission proposed tariff sheets to revise its purchased gas adjustment clause ("PGA"). On January 23, 1985, the Commission suspended Columbia's filing for 5 months on and after February 1, 1985, in order to determine the reasonableness of the application.

The Commission has, in previous Orders, encouraged Columbia to pursue a revision to its PGA clause. An Order issued October 18, 1984, in Case No. 9003, An Adjustment of Rates of Columbia Gas of Kentucky, Inc., alerted Columbia that a revision would be an issue in its next rate case. Columbia's filing of January 10, 1985, would eliminate this issue in its next rate case.

Columbia has proposed a PGA clause that provides a uniform adjustment for all customers through semi-annual filings. The filings would be made effective March 1 and September 1 each year to coincide with the rate revisions of Columbia's major supplier, Columbia Gas Transmission Corporation ("Transmission"). The total adjustment would be the sum of four components: expected gas cost, refunds, actual adjustment and balance adjustment.

The actual adjustment, to compensate for over- and under-recovery of gas costs, would be revised with each September filing based on the 12 months ended June 30 each year. Gas rates are designed to recover cost over 12 months; thus, the actual adjustment included in each September filing would remain in effect for 12 months. Columbia proposed to calculate and include interest on the over- and under-recoveries as is done for refunds. The Commission finds this a cumbersome exercise and sees offsetting interest as unnecessary in the actual adjustment.

While Columbia used historic sales volumes to determine the expected gas cost rate, it proposed to use projected volumes to determine the refund, actual and balance adjustment rates. Columbia was not allowed to use projected volumes, as requested, in its past two rate cases; therefore, it should not be allowed to use projected volumes in determining these adjustments. The Commission will allow Columbia to use temperature normalized historic volumes in its adjustments, as this should reduce extreme weather effects.

The Commission urges Columbia to actively seek lower priced sources of gas supply that Transmission will transport under the terms of the Stipulation and Agreement filed with the Federal Energy Regulatory Commission in Docket No. TA 82-1-21-001, et al.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

1. Columbia's proposed revision to its PGA clause would require semi-annual filings setting out a uniform adjustment for all customers.

2. Interest calculations on over- and under-recoveries in the actual adjustment are burdensome and unnecessary and should not be included in determining the adjustment factor.

3. Columbia should use temperature normalized historic sales volumes in its refund, actual and balance adjustment calculations rather than projected volumes. Columbia should include a worksheet showing the temperature normalization in its filings.

4. Columbia's PGA set out in the Appendix to this Order is fair, just and reasonable and in the public interest and should be approved and implemented effective July 1, 1985.

IT IS THEREFORE ORDERED that the PGA clause in the Appendix to this Order be and it hereby is authorized effective on and after July 1, 1985.

IT IS FURTHER ORDERED that within 30 days of the date of this Order Columbia shall file with this Commission its revised tariffs authorized herein.

IT IS FURTHER ORDERED that all rates and charges shall remain in full force and effect.

Done at Frankfort, Kentucky, this 8th day of May, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Hemann Jr.
Chairman

Robert L. Dugan Jr.
Vice Chairman

Jim Shell
Commissioner

ATTEST:

Acting Secretary

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9260 DATED 5/8/85

The following rates and charges are prescribed for the customers served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

SEMI-ANNUAL GAS COST ADJUSTMENT CLAUSE

Determination of GCR

The Company shall file a semi-annual report with the Commission which shall contain an updated Gas Cost Recovery (GCR) Rate and shall be filed at least twenty (20) days prior to the beginning of each semi-annual calendar period. The GCR shall become effective for billing with the final meter readings of the first billing cycle of each semi-annual calendar period.

The gas cost recovery rates are comprised of:

(1) The Expected Gas Cost component (EGC), on a dollar-per-Mcf basis, which represents the average expected cost of gas supplied.

(2) The supplier Refund Adjustment (RA), on a dollar-per-Mcf basis, which reflects refunds received during the reporting period plus interest at a rate equal to the average of the "three-month commercial paper rate" for the immediately preceding twelve-month period. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

(3) The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, which compensates for any previous over or under collections of gas costs experienced by the Company through the operation of this gas cost recovery procedure. The ACA shall be based on the twelve months ended June 30th each year, with the ACA factor to be in effect for twelve months beginning September 1st of each year.

(4) The Balancing Adjustment (BA), on a dollar-per-Mcf basis, which compensates for any under or over collections which have occurred as a result of prior adjustments.

Billing

The Gas Cost Recovery (GCR) shall be the sum of the following components:

GCR = EGC + RA + ACA + BA

The GCR will be added to (or subtracted from) the tariff rates prescribed by the Commission Order on the Company's latest rate case and will be included in the tariff rates stated on each applicable rate sheet in this tariff.

Definitions

For the purpose of this tariff:

(a) "Average expected cost" means the cost of gas supplies purchased during the latest available twelve-month period, including associated transportation and storage charges, which results from the application of suppliers' rates currently in effect or reasonably expected to be in effect during the semi-annual calendar period, divided by the sales volumes for the latest available twelve-month period. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the Semi-Annual Gas Cost Adjustment report.

(b) GCR is the gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment, i.e., GCR=EGC+RA+ACA+BA.

(c) "Semi-annual calendar period" means each of the two six-month periods of (1) September through February and (2) March through August.

(d) "Reporting period" means the six-month accounting period that ended approximately forty (40) days prior to the filing date of the updated gas recovery rates, i.e., the six months ended June 30th and December 31st each year.

Should any significant change in supplier rates occur, the company may apply to the Public Service Commission for an interim Gas Cost Adjustment Clause in addition to the regular semi-annual Gas Cost Adjustment Clause filings.